

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 08127 181935Z

15

ACTION EUR-12

INFO OCT-01 EA-06 IO-04 ISO-00 SWF-01 AID-05 CEA-01

CIAE-00 COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01

CIEP-01 SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01

OMB-01 AGR-05 NSC-05 SS-15 L-01 H-01 PA-01 USIA-06

PRS-01 DRC-01 /085 W

----- 040108

R 181617Z OCT 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7644

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

LIMITED OFFICIAL USE EC BRUSSELS 8127

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: EC SUGAR POLICY

REF: (A) EC BRUSSELS 7715; (B) LONDON 12995; (C) EC BRUSSELS 5239

1. BEGIN SUMMARY: FUTURE EC SUGAR POLICY IS EXPECTED TO DOMINATE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 08127 181935Z

DISCUSSIONS DURING THE OCTOBER 21 SESSION OF THE EC COUNCIL OF

AGRICULTURAL MINISTERS. CHANCES APPEAR GOOD FOR COUNCIL AGREEMENT ON SUGAR IMPORT

SUBSIDY SCHEME. APPROVAL OF IMPORT SUBSIDIES WOULD LIKELY TORPEDO AN AUSTRALIA/UK SUGAR SUPPLY AGREEMENT. THE COUNCIL WILL ALSO DISCUSS BUT IS UNLIKELY TO ADOPT AT THIS TIME A PROPOSED REGULATION ON THE FUTURE SUGAR CAP WHICH INCLUDES PROVISIONS ON PREFERENTIAL TREATMENT FOR SUGAR FROM DEVELOPING COUNTRIES. END SUMMARY.

2. THE EC COUNCIL OF AGRICULTURAL MINISTERS MEETS IN LUXEMBOURG ON OCTOBER 21. THE PRINCIPAL TOPIC UNDER DISCUSSION WILL BE SUGAR. THIS DISCUSSION ON SUGAR WILL REVOLVE AROUND RECENT COMMISSION PROPOSALS REGARDING IMPORT SUBSIDIES, DOMESTIC PRODUCTION ARRANGEMENTS BEGINNING IN 1974/76, AND PREFERENTIAL TREATMENT FOR SUGAR FROM DEVELOPING COUNTRIES.

3. LARDIHOIS REPORTEDLY CONSIDERS THE COMMISSION PROPOSAL FOR SUGAR IMPORT SUBSIDIES AS A "POLITICAL COUP" WHICH SHOULD DEMONSTRATE, PARTICULARLY TO UK ANTI-MARKETEERS, THE "FLEXIBILITY" OF THE CAP IN RESPONDING TO SPECIAL NEEDS AND NEW SITUATIONS. UNDER THE PROPOSAL, EC-FINANCED IMPORT SUBSIDIES WOULD BE GRANTED FOR RAW AND REFINED SUGAR UNTIL JULY 1, 1975, THE BEGINNING OF THE 1975/76 SEASON. THE AMOUNTS OF THE SUBSIDIES WOULD BE DETERMINED THROUGH A TENDER SYSTEM. EC TRADERS PERIODICALLY WOULD SUBMIT BIDS TO THE COMMISSION ON THE AMOUNT OF IMPORT SUBSIDIES FOR WHICH THEY WOULD IMPORT A STATED AMOUNT OF SUGAR. ON THE BASIS OF THESE BIDS, THE COMMISSION WOULD FIX A MAXIMUM LEVEL OF SUBSIDY. BIDS FOR SUBSIDIES NOT EXCEEDING THE MAXIMUM SUBSIDY AMOUNT WOULD BE ACCEPTED. SALES OF SUB-

SIDIZED SUGAR ON THE COMMUNITY MARKET WOULD HAVE TO BE AT A PRICE BELOW THE EC THRESHOLD PRICE.

4. THE PROPOSAL IS CUNNINGLY DRAFTED SO AS TO APPEAL TO EXPORTING MEMBER STATES (FRANCE) AS WELL AS TO IMPORTERS SUCH AS THE UK AND ITALY. TRADERS WHO AVAIL THEMSELVES OF THE IMPORT SUBSIDY PROGRAM THIS YEAR WOULD BE ALLOWED TO EXPORT A CORRESPONDING QUANTITY OF SUGAR TO THIRD COUNTRIES IN 1975/76. THESE EXPORTS WOULD BE EXEMPT FROM EXPORT LEVIES. IF, AS COMMUNITY OFFICIALS EXPECT, WORLD MARKET PRICES REMAIN ABOVE EC PRICES IN 1975/76, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 08127 181935Z

TRADERS EXPORTING SUGAR WITHOUT BEING ASSESSED EXPORT LEVIES WOULD STAND TO MAKE VERY HANDSOME PROFITS. COMMISSION OFFICIALS

EXPECT THAT, IN ANTICIPATION OF HIGH PROFITS FROM EXPORT SALES, TRADERS WOULD TEND TO BID FOR LOWER IMPORT SUBSIDIES THAN WOULD OTHERWISE BE THE CASE. IN THIS WAY THE COSTS OF THE SUBSIDY PROGRAM WOULD BE LESSENED TO SOME EXTENT.

5. THE COMMISSION PROPOSAL WOULD NOT LIMIT THE QUANTITY OF SUGAR FOR WHICH SUBSIDIES COULD BE GRANTED. UK PERM DEL SOURCES STATE THAT QUANTITIES HAVE NOT BEEN DISCUSSED IN THE SPECIAL AGRICULTURAL COMMITTEE. PRESS REPORTS, HOWEVER, INDICATE THAT IN THE UK ALONE, BETWEEN 300,000 TO 500,000 TONS OF SUGAR PROBABLY WOULD BE IMPORTED UNDER THE SUBSIDY PROGRAM. ITALY ALSO WOULD BE EXPECTED TO AVAIL ITSELF OF THE PROGRAM.

6. GERMANY REPORTEDLY IS THE ONLY MEMBER STATE THAT HAS COMPLAINED IN THE SPECIAL AGRICULTURAL COMMITTEE ABOUT THE POTENTIAL COSTS OF AN OPEN-ENDED SUBSIDY PROGRAM AS PROPOSED BY THE COMMISSION. LARDINOIS HAS TOLD THE PRESS THAT THE PROGRAM WOULD COST FEAGA ABOUT 36. MILLION U.S. BUT OUR SOURCES SAY THIS ESTIMATE IS FAR TOO LOW.

7. UK PERM DEL SOURCES THINK IT "PROBABLE" THAT THE COUNCIL WILL ADOPT THE IMPORT SUBSIDY PROGRAM ON OCTOBER 21. FRANCE HAS ATTACKED THE PRINCIPLE OF GRANTING IMPORT SUBSIDIES BUT OUR SOURCES THINK THEIR ATTACKS ARE FOR COSMETIC PURPOSES ONLY. THEY EXPECT FRENCH AG MIN BONNET TO APPROVE THE PROGRAM, SINCE IT DOES OFFER BENEFITS TO FRANCE--ACCESS TO EXPORT MARKETS WITHOUT BEING HINDERED BY EXPORT LEVIES, AND STIMULUS TO PRODUCTION FROM INCREASED DEMAND. THE UK REPORTEDLY FINDS THE SUBSIDY PROGRAM VERY APPEALING AND TOO GOOD TO REJECT. ACCEPTANCE OF THE PROPOSALS PROBABLY WOULD BE THE DEATH-KNELL FOR A BILATERAL UK-AUSTRALIA SUGAR DEAL.

8. ON OCTOBER 16 THE COMMISSION FORMALLY SUBMITTED TO THE COUNCIL ITS PROPOSAL ON THE FORM OF THE SUGAR CAP BEGINNING WITH THE 1975/76 SEASON WHEN THE CURRENT PRODUCTION QUOTA ARRANGEMENTS WILL HAVE EXPIRED. THE PROPOSAL FOLLOWS CLOSELY THE GUIDELINES SET FORTH BY THE COMMISSION IN ITS JULY 1974 COMMUNICATION TO THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 EC BRU 08127 181935Z

COUNCIL (SEE REF. C). THE PROVISIONS CONCERNING TRADE WITH THIRD COUNTRIES (ON A NON-PREFERENTIAL BASIS) ARE ESSENTIALLY UNCHANGED FROM THE PRESENT PROVISIONS. ON THE PRODUCTION SIDE, BASE QUOTAS ("A" SUGAR) WOULD BE ENLARGED TO A TOTAL OF 8.54 MILLION MT AND WOULD BE ALLOCATED BY THE COUNCIL DIRECTLY TO MANUFACTURERS. MAXIMUM QUOTAS ("B" SUGAR) WITHIN WHICH SUGAR IS SUBJECT TO PRODUCTION ASSESSMENTS, WOULD BE EQUAL TO 35 PERCENT OF BASE QUOTAS. IN PRINCIPLE, ALL SUGAR PRODUCED ABOVE THE MAXIMUM QUOTAS (SO-CALLED "C" SUGAR) WOULD BE EXPORTED WITHOUT BENEFIT OF EXPORT SUBSIDIES.

9. THE PROPOSED SUGAR CAP INCLUDES SPECIAL PROVISIONS RELATING TO PREFERENTIAL TREATMENT OF SUGAR FROM DEVELOPING COUNTRIES (ACP COUNTRIES AND INDIA). THE DETAILS OF THIS SPECIAL PRO-

VISIONS WILL BE TRANSMITTED BY SEPTTEL.

10. IT IS DOUBTFUL THAT THE COUNCIL WILL REACH AGREEMENT AT ITS OCTOBER 21 SESSION ON THE COMMISSION PROPOSALS FOR A NEW SUGAR CAP GIVEN THE COMPLEXITIES OF THESE PROPOSALS AND DIFFERENCES OF OPINION AMONG THE MEMBER STATES ON THE SIZE OF PRODUCTION QUOTAS AND METHOD OF ALLOCATION. HOWEVER, THE COUNCIL MAY BE ABLE TO REACH AN AGREEMENT IN PRINCIPLE ON THE BROAD OUTLINES OF A NEW SUGAR CAP. GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, POLICIES, MINISTERIAL MEETINGS, PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU08127
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740298-0136
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741036/aaaabetn.tel
Line Count: 178
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) EC BRUSSELS 7715; (B) LONDON 129, 95; (C) EC BRUSSELS 5239
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <01 AUG 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC SUGAR POLICY
TAGS: EAGR, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005